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Before the
Federal Communications Commission
Washington, D.C. 20554

SEP 22 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of
Access Charge Reform

U S WEST Petition for Partial Stay

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CC Docket No. 96-262

CCB/CPD/97-43

REPLY COMMENTS OF
SOUTHWESTERN BELL TELEPHONE COMPANY,
PACIFIC BELL, AND NEVADA BELL

Southwestern Bell Telephone Company (SWBT), Pacific Bell and Nevada Bell (collectively, the SBC Companies) hereby file their Reply Comments on the comments¹ on the Petition for Partial Stay pending judicial review filed by U S WEST Inc. (U S WEST) on August 14, 1997. The SBC Companies support the petition and submit these reply comments in opposition to those comments filed by LBC, MCI, Teleport, and TRA. The SBC Companies have previously supported the NYNEX Petition for Stay pending judicial review filed on July 23, 1997,² which requests similar relief.

As U S WEST notes, residual transport interconnection charge (TIC) costs are legitimate and must be recovered in an equitable manner.³ To the extent that competitive access providers (CAPs) are exempted from their fair share of TIC costs, CAPs are placed at a

¹ Comments were filed by Ameritech, LBC Communications Inc. (LBC), MCI Telecommunications, Inc. (MCI), Teleport Communications Group Inc. (Teleport), and Telecommunications Resellers Association (TRA).

² See, Comments of Southwestern Bell Telephone Company, Pacific Bell, and Nevada Bell, CCB/CPD 97-36, filed August 8, 1997.

³ U S WEST, p. 10.

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competitive advantage to incumbent local exchange carriers (ILECs). Contrary to LBC, this situation will undermine the Commission's proposed universal service support systems.⁴

MCI and LBC wrongly claim that no universal service support is contained in the TIC.⁵ The reallocation of tandem costs from the TIC will not be complete until the year 2000, therefore, tandem switching users will be supported implicitly by the TIC for several years. Contrary to the positions of MCI and LBC, the Access Reform Order acknowledged that "the additional costs of rural transport currently are recovered through the TIC."⁶ Notwithstanding MCI's assertion, universal support is not limited to the items identified by the Commission that are to be funded by the USF. Implicit support from the TIC and rate averaging still exist and must be funded.

Separately, LBC incorrectly presumes that in rural areas, LECs will have greater flexibility to charge cost-based rates.⁷ To the contrary, U S WEST or any other ILEC cannot simply deaverage transport rates to recover the higher costs of rural service currently recovered in part by the TIC. Simply put, the price cap rules prevent recovery of rural transport costs through simple deaveraging.⁸ As an initial matter, the price cap banding limits restrict the amount of revenue that can be shifted through deaveraging. In addition, deaveraging merely shifts revenues in a revenue neutral manner and does nothing to recover TIC amounts. The Commission would

⁴ LBC, p. 3.

⁵ LBC, p. 3; MCI, p. 8.

⁶ Access Reform Order at para. 226.

⁷ LBC, p. 3.

⁸ The TIC was created out of the Local Transport Restructure proceeding whereby transport rates were set in parity with special access rates. Excess transport costs were then allocated into the newly created TIC.

have to allow the TIC to be reallocated back to transport rates and relax banding restrictions before deaveraging could be used to solve the rural cost recovery problem.

As SWBT stated in its comments on the NYNEX petition, SWBT's estimated losses from the impact of the rules described herein are sizeable. SWBT estimates that as of January 1, 1998, it will have approximately \$85 million remaining in the per-minute residual TIC. This amount is reduced to \$20 million with the July 1, 1998 annual access tariff filing. The Commission rules place recovery of these costs at risk, and thus, SWBT will suffer irreparable harm, absent a stay.

For the foregoing reasons, the SBC Companies respectfully request that the U S WEST Petition for Stay be granted and the requested relief also be applied to the SBC Companies.

Respectfully submitted,

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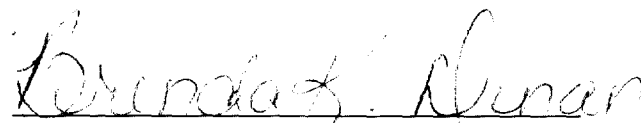
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September 22, 1997

CERTIFICATE OF SERVICE

I, Brenda K. Dinan, hereby certify that the Reply Comments of Southwestern Bell Telephone, Pacific Bell and Nevada Bell on Docket 96-262, CCB/CPD/97-43, has been served September 22, 1997, to the Parties of Record.

A handwritten signature in cursive script, reading "Brenda K. Dinan", written over a horizontal line.

Brenda K. Dinan

September 22, 1997

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